

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: 06/27/2012

POSITION: Neutral

SPONSOR: State Compensation Insurance Fund

BILL NUMBER: SB 1513

AUTHOR: Negrete McLeod, Gloria

BILL SUMMARY: State Compensation Insurance Fund: investments.

This bill would expand the investment options available to the State Insurance Compensation Fund (SCIF) to include preferred and common equity and additional fixed asset investments; and allow SCIF to participate in the stock of a federal home loan bank. In addition, this bill would require the Department of Insurance (DOI) to assess the benefit and risk of the SCIF's equities investment history and report this assessment to the Legislature.

FISCAL SUMMARY

This bill would have no fiscal impact to the state because the SCIF is self-supporting, operating on premiums written and investment income. Expanding investment options would allow a better diversified portfolio with more stable returns. However, some of the expanded options are higher risk, which could increase risks of losses.

The DOI indicates implementation of the provisions of this bill would have no additional fiscal impact because they currently report to the Legislature on the activity of the SCIF's investment portfolio.

COMMENTS

The Department of Finance is neutral on this bill because it expands existing law related to the investment of excess funds by the SCIF.

Existing law establishes the SCIF, a quasi-governmental agency, to provide workers' compensation insurance to California employers. Under existing law, the SCIF is required to invest and reinvest excess funds in generally the same manner as private insurers. However, SCIF's investment options are more limited than those available to private insurers.

This bill would allow SCIF to participate in some additional investment types, including but not limited to, in the stock of certain corporations, specified mortgage-related investment instruments, and in the stock of the Federal Home Loan Bank of San Francisco. These investments would be restricted to 20 percent of the moneys in excess of the admitted assets over the liabilities and required reserves for specified investments, until January 1, 2025. Lastly, this bill would require the DOI to assess the benefits and risks of the SCIF's equities investment history and provide a report to the Legislature by January 31, 2019.

The purpose of this bill is to provide greater investment options for SCIF so that it can maintain a more stable and diversified investment portfolio. This bill would add investment tools that better match the duration and maturity of the SCIF's investment assets to its liabilities and diversify its portfolio.

Analyst/Principal (0240) J.Morozumi	Date	Program Budget Manager Lisa Ann Mangat	Date
Department Deputy Director		Date	
Governor's Office:	By:	Date:	Position Approved _____ Position Disapproved _____
BILL ANALYSIS			Form DF-43 (Rev 03/95 Buff)

AUTHOR

AMENDMENT DATE

BILL NUMBER

Negrete McLeod, Gloria

06/27/2012

SB 1513

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)						Fund Code
	LA	(Dollars in Thousands)						
	CO	PROP						
	RV	98	FC	2012-2013 FC	2013-2014 FC	2014-2015		
0845/Insurance	SO	No		----- No/Minor Fiscal Impact -----				0217
8420/StCompInsrFd	SO	No		----- See Fiscal Summary -----				0512
<u>Fund Code</u>	<u>Title</u>							
0217	Insurance Fund							
0512	State Compensation Insurance Fund							